



Tanla Platforms Limited
Q1 FY23 Earnings Conference Call Transcript
July 26, 2022

Call Duration	<ul style="list-style-type: none">▪ 58 minutes
Management	<ul style="list-style-type: none">▪ Ritu Mehta - Head of Investor Relations▪ Uday Kumar Reddy - Founder, Chairman & Chief Executive Officer▪ Aravind Viswanathan - Chief Financial Officer▪ Deepak Goyal - Executive Director & Chief Business Officer
Participants that asked the questions	<ul style="list-style-type: none">▪ Aniket Pande - ICICI Securities▪ Balaji Subramanian - IIFL Capital Ltd.▪ Ashish Rathi - Lucky Investments▪ Anil Sarin - Centrum Wealth▪ Miraj Shah - Dalal & Broacha▪ Amit Chandra - HDFC Securities▪ Pranav Kshatriya - Edelweiss Financial Services▪ Deepak Chokhani – Individual Investor▪ Amit Mishra - Individual Investor▪ Deepak Poddar- Sapphire Capital

Operator:

Ladies and gentlemen, good day and welcome to Tanla Platforms Limited Q1 FY23 Earnings Conference Call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ritu Mehta from Tanla Platforms Limited. Thank you and over to you.

Ritu Mehta:

Hello, everyone. I'm Ritu Mehta and I lead Investor Relations for Tanla Platforms. On behalf of everyone at Tanla, I would like you to welcome to our earnings call Q1FY23. Joining with us today are Uday Reddy, our Founder, Chairman, and CEO; Deepak Goyal, Executive Director, and Chief Business Officer; and Aravind Viswanathan, our CFO.

Uday Reddy, our Founder, Chairman, and CEO will share his perspectives of business imperatives and strategic progress made by Tanla. After his opening remarks, we'll be happy to engage with the participants and address their questions.

Before I hand it over to Uday, let me draw your attention to the fact that today's discussion may feature statements that are forward-looking in nature. All statements other than statements of historical facts could be deemed forward-looking in nature. Such statements are inherently subject to risk and uncertainties, some of which cannot be predicted or quantified. A detailed disclosure in this regard is mentioned in the results presentation that is uploaded on our website.

Now over to Uday.

Uday Kumar Reddy:

Thanks Ritu. Good afternoon, everyone. A very warm welcome to our Q1FY3 earnings call. I hope you had a chance to see our results. I will specifically cover two areas in this call before we go to Q&A. First, I will talk about the Q1FY23 performance, and I also would like to give a quick update on the areas of strategic focus. After many quarters of our consistent performance, we have had operational headwind in Q1FY23. We delivered 28% revenue growth in a seasonally weak quarter. But we faced headwinds which affected our profitability. We had internal and external factors affecting us. And let me give you a view of the same.

We had some challenges with our Karix platform. We have seen significant growth over the past few years in terms of volumes, and we needed to upgrade our current infrastructure to meet the scale requirements and deliver top notch customer experience. This caused some short-term impact on our EBITDA. However, I firmly believe this was the right thing to do from a longer-term perspective. And we don't see any EBITDA impact due to this going forward.

The second aspect was unfavorable exchange movement between Euro and Dollar. This affected our EBITDA by almost by 1%. We also have some market disruption with some customer, specific impact affecting our profitability in Q1. In total, we had a cumulative impact on EBITDA of almost around 4.5% due to these factors. We expect that most of the impact is one-off, and we should get back to operating at the levels around 20% in the next two quarters.

On the overall market, I am quite excited about the potential here. We continue to grow our existing clients and add market new clients. Our platform business grew around 23% year-on-year and operated at 95% plus gross margins. We are making significant progress on our Wisely journey. We have deployed our AI/ML based firewall with the VIL, and it went live in Q1FY23 and need to get ready to scale in Q2FY23.

We also had launched Wisely Insights. I have personally taken this Insights and discussed this with global tech giants, and I see tremendous traction with them, which should translate to more business for us in the coming quarters. We have launched Truecaller towards the end of Q1FY23. Our beta launch was very successful. And we now see a lot of traction in Q2FY23.

We are seeing a lot of interest from enterprise customers and very excited by our potential here. We also announced our exclusive partnership with Kore.ai, a leading conversation platform around Wisely.

So, as you can see, multiple competence of our strategy are coming together now. And we have built a solid foundation. And I am confident we will deliver profitable growth in the coming quarters.

Now, I would like to hand it over to Ritu to carry out Q&A.

Question-and-Answer Session

Operator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Aniket Pande from ICICI Securities. Please go ahead.

Aniket Pande: Thank you for the opportunity. I just wanted to get some clarity on margins. Apart from the currency headwind, are you seeing increased pricing cuts in the industry due to increased competitive intensity in the industry in last two, three quarters. Secondly, in your PPT, you have mentioned headwinds such as market disruption and modernization also. Can we know in detail exactly what are you referring to in that?

Aravind Viswanathan: Sure. Talking about you have two questions there, right. One in terms of the overall pricing environment in the market, I will ask Deepak to cover that. And then we will come to your second question on this entire platform modernization piece, and you can cover that. So, Deepak.

Deepak Goyal: Good evening, everyone. You asked a question about pricing environment in last two, three quarters. So, I would say pricing environment per se is overall

stable. Overall, we don't see any pricing competition as such, okay. Though, little bit of price erosion is always there, but this is very normal for our industry. But, as Uday mentioned, we have seen in one of our large customers, where we were getting significant volumes, and there we have seen pricing being quoted much lower, which didn't make sense to us to work on those prices and we decided to scale down our volumes with that customer.

And while the transition was taking place to the other providers, we had to serve at those prices in Q1FY23. And hence, we saw our margins going down, but that impact may be there for some part in Q2FY23 as well. But then going forward, I don't see any issue.

Aniket Pande: Thank you.

Operator: Thank you. The next question is from the line of Balaji Subramanian from IIFL. Please go ahead.

Balaji Subramanian: Thanks for taking my question. So, my first question would be on this pricing pressure aspect. So, we did see that one large customer was offered lower prices by one of your competitors. And is this one-off in nature or is there a risk that the same competitor, which I believe is a large telco with a strong balance sheet and focusing aggressively on the Enterprise segment. Is there a risk that it offers similar pricing in other accounts and we will probably face incremental pressure even if this particular customer sees volume ramp down, that is number one.

Number two is with the scale down in volumes with the first customer that you mentioned, what should one think about your revenue growth going forward, because we have been seeing that in the last two, three quarters, the revenues have been largely range bound between ₹800 and ₹900 crore and the YoY numbers still look good because of the tailwind from the ILD SMS rate increase. But now going into 2QFY23 that will anniversarize and YoY comps might get difficult, that is from me.

Deepak Goyal: I would like to say that we have seen our multiple bids after this particular bid, okay. And I have not seen anything like that. I would say this is a one-off, where our competitor just decided to quote, whatever they quoted, and I am sure they must realize what they've done, because I have not seen anything happening afterwards. Because generally after two or three years, there are so many bids get due from certain number of customers. So, I don't see an issue going forward. As far as our revenue is concerned, when there is some sort of a price erosion then it impacts the revenues. But we have been winning a lot of new businesses, a lot of new customers, and you would see growth in revenues in the coming quarters.

Balaji Subramanian: Okay, Deepak that is helpful. So, let me put the first question other way, if I were the telco, which is wreaking havoc, and I have a fairly large enterprise business, where CPaaS has one of the key elements, but I also have other offerings, starting from connectivity, cloud, security, et cetera. So clearly there is some bit of flexibility on the CPaaS front because I can cross subsidize some of this with some of my other offerings. So, what do you think would prevent such a large

company from kind of going a little low on the competitive front going forward? Because basically, what I am asking is what gives you the comfort that they won't attempt something like this with more accounts?

Deepak Goyal:

See first I cannot comment about their thought process. But at the same time, as I said, that there are more bid happened after that, and we have not seen something like this. I would say that, this is one-off because the kind of prices were quoted, so they are not viable for anybody to do that. And it is nothing to do with what other offerings they have, because we also have other offerings, but we don't quote such prices. And just to tell you from the same account, we have won a very big WhatsApp business as well. So, we feel that in the coming quarters, we would be back with the kind of revenues or margin you are making. So, we are very confident about it.

Balaji Subramanian:

Okay, thank you, Deepak. This is helpful, and all the best.

Operator:

Thank you. The next question is from the line of Ashish Rathi from Lucky Investments. Please, go ahead.

Ashish Rathi:

Thanks for the opportunity. In the media articles, we have read about this NASSCOM making a case to RBI to change the regulation to include an app notification instead of SMS. You're understanding and take all the same please as it is a concern for us investors, in terms of overall sustainability of our existing business models. I would love to get your perspective on this please.

Uday Kumar Reddy:

See this in-app message has been around for quite some time, right? This is not new technology, which is available now, right? It has been there for quite some time. That's number one. Number two, it was never a successful model. In fact, if I am allowed to name all the tech giants have their app sitting on the mobile phone. They can afford to use their in-app messaging. But still, they use SMS, the channels to reach out to the customers because in-app messaging is not reliable.

One should have data all the time for somebody to receive the messaging, in terms of in-app that's number one. Number two, it is not reliable, because SMS can deliver in less than four seconds from the time which leaves the enterprise to the handset. But in terms of the in app, we don't know exactly, it may take a bit of time. So, I don't see any challenge here, okay. And in fact, best to use their apps to reach out to their base consumers in India and globally and they saw the result and they started using the SMS and other channels. So, I think it is blown out of proportion. And we are quite indifferent to this.

Ashish Rathi:

Sir the whole case is mostly about the pricing, where at least the media article suggests 0.1 to ₹12 I think that is the app notification of 0.001. So, it could be a case of a downward pressure on the revenues or the pricing that we have and that is something that the previous participant also trying to indicate towards. What is your sense of the pricing at the company level in terms of SMS going forward? Is it something that is sustainable over a longer period, or something that could possibly go down as a business?

Uday Kumar Reddy: We are in this business for more than 20 years. So, SMS is a very secured and more reliable as a channel. And it will remain in the space. In fact, as we speak, the volumes are going to roof in the last couple of years. So, I don't see any challenge in terms of the channel per se. That's number one.

In terms of price, Deepak has already explained about price. So, we don't see any challenge there, everybody has to service the customers. Everybody has to earn their margins. Couple of customers for some reasons best known to them, may try to disrupt for one or two customers, but we don't see any challenge with any other customers either in terms of the price or anything other than that.

Absolutely, no challenge at all. We will grow. Our volumes are growing. We are growing much faster than industry. So, we don't see any challenge.

Ashish Rathi: Thank you. And the second question is - can you give us an indication of what percentage of revenue presently comes for us from SMS for banks and FinTech's combined?

Uday Kumar Reddy: I am afraid we cannot share it. We have bit of NDA on the bank, but yes around 30%.

Aravind Viswanathan: We're not calling out the exact numbers, but that's a largest vertical for us. So that is where it is. But the other point I would just make Ashish is that probably SMS is still one of the lowest costs in India compared to any other market, even if you take Asian markets. So, some of this noise about SMS being very expensive is not in congruence with what is happening in the globe.

Uday Kumar Reddy: In fact, Ashish, put into perspective. Let's talk about the ILD prices in general in Asia, forget about other parts of the world, right from Sri Lanka to Bangladesh to Philippines, Indonesia, Vietnam, Middle East, Russia, like they are hovering from \$0.06 to almost \$0.20.

We are still at \$0.03 till end of July. And Indian telcos made it to \$0.04 recently. There is a long way to cover in terms of pricing both domestic as well as international pricing. We are one of the lowest, I mean our prices are very low when compared to the global markets.

Ashish Rathi: So, the case in point then is about security. So, like in terms of in app notifications, versus the SMS, which one is more secure and is there something which cannot be done by say, an SMS in a fool proof manner, which may be can be handled better by in app notification. Just technically if you could help us understand?

Uday Kumar Reddy: I think it is proven that like SMS is more secure both in terms of technology and so on and so forth, like. So that's the reason like, RBI has mandated only SMS as a channel to use for the OTPs and other notifications, right? It clearly says that is more secure channels than any other channels.

Aravind Viswanathan: And also, SMS effectively becomes a second level of security. It's not a standalone. So, many cases the app talks to the SMS, so definitely it is more

regulated, it's more secure. There are enough instances of that being documented across the realm

Ashish Rathi: Thank you. Thank you so much for the clarity. All the best.

Uday Kumar Reddy: Thank you.

Operator: Thank you. The next question is from the line of Anil Sarin from Centrum Wealth. Please go ahead.

Anil Sarin: Hi, good evening, everybody. I wanted some clarity that this technology upgradation that has been done, how much money has been spent on that? Again, in the rest of the year, is there more money to be spent on technology upgradation? That is part one of my question.

The second part is, in continuation to the earlier person is that despite this setback for the full-year, if you can give a rough space of the revenue growth, there are few pressures and pulls in terms of some disruptive pricing by somebody, the ILD tailwind going away, new clients getting added, so it is quite a complex thing. But like most IT services companies, they like to give out whatever revenue guidance, so we would really appreciate if you can give us some revenue guidance, considering all the pluses and the minuses that we were currently seeing. So these are the two questions that I have.

Uday Kumar Reddy: I think we made it very clear number of times, we don't give the guidance. That's number one. But having said that, I made it very clear today, we went back almost 16% levels in terms of EBITDA. But we should get back to operating at the levels around 20% in the next couple of quarters. So, we are pretty confident, we will come back to the 20% EBITDA margins in the next couple of quarters.

Anil Sarin: My question is, will it be for the full year when we close the books of accounts for this financial year '23, it will be 20% margin or it is 16% this quarter, then improving, then improving and ultimately reaching 20%, which of the two will it be?

Uday Kumar Reddy: I'm not confirming either Anil, all I said was we were operating at more than 20% for the last six quarters. Our priority is to get back to 20% as soon as possible. We have very, very clear strategy. We have lot to leverage, and we have seen this action in the Q2 itself. I think our top priority is to go back to 20% as soon as possible, okay. I am not saying that we want to go back in the Q2 itself, but in the next two quarters, we are going to reach 20%. So that's our first target. Once you reach 20%, then will see how it goes from there.

Anil Sarin: Okay, and on a related note, any update you can give us about Wisely. Post the two names that you had shared with us in terms of Vodafone and Truecaller, Any further update because the thinking that we have is that as Wisely gathers momentum, naturally the margins would go up?

Uday Kumar Reddy: Absolutely, Anil. Absolutely, I completely agree with you. So, the Truecaller, as I mentioned in part of my speech, we went that beta launch was very, very

successful. We went commercially live in Q2. All I can say is, it's doing phenomenally well. It has really surprised all of us and Truecaller team and our teams are working very, very closely to take this Truecaller and Wisely to the next level. I think we are pretty happy on the Truecaller relationship. That's number one.

Number two in terms of Wisely, the VIL network deployment. It got delayed little bit because it's a very complex product which is a gigantic product, which means you have to integrate it at different levels, it got bit delayed, though it went live still a bit of integration is still pending. We have started clocking the revenues in the Q1FY23 itself. But we are expecting the momentum in Q2FY23. To be honest with you, I am pretty happy about Wisely journey so far. This will definitely add to the better margin in total.

Anil Sarin:

Okay, great. Just as a follow-on. There was a note brought out by a broking firm, I think HDFC Securities, where they have mentioned that the market size, the total addressable market for Wisely is 1 to 2 billion basically in Indian rupee terms ₹100 crore to ₹200 crore, I surely think that is a typo or I is that the market size that one is looking at for Truecaller, for Wisely?

Uday Kumar Reddy:

Anil, I don't think HDFC is what you are referring to? I don't think they have mentioned ₹200 crore is the market, the TAM for Wisely, I don't think they mentioned that unless until I missed out that point, which is not true line. So total CPaaS is 1.5 billion, which is ₹10,000 crore market, TAM in India alone. So, the total ₹10,000 crore itself is a TAM for Wisely, the way I would like to look at. So, it's not only just ₹200 crore, it is the complete market is a TAM for Wisely.

Anil Sarin:

Okay. Thanks for the clarification. Just one point like what was spent on the tech upgradation, and everything has been captured in the first quarter or more to come in the coming quarters?

Uday Kumar Reddy:

So, Anil, what happened seems like now we continue to augment our platforms, because whenever we see it, we closely monitor our efficiencies of our platforms. So, at probably at 60%, we always augment our platforms. What happens this time was our volumes have gone through the roof in the Q4. And by the time we could able to augment our Karix platforms, it took a little longer than what we expected to source software and hardware from outside India. That's where it completely derailed, so but that was fixed then and there. So, you asked what is the investment that we have made? I think around ₹15 crore to ₹20 crore which is already capitalized in Q1FY23. But that's a big investment for Karix as now that got a new platform. This is pretty stable, and it's holding well. So, customers are extremely happy with the new platform. We don't need to keep investing it's one of expenses, Anil.

Anil Sarin:

Okay, so thanks so much. Just one last thing, is it capitalized or is it expensed during the first quarter?

Aravind Viswanathan:

Capitalized but the impact for the quarter is also because some of the disruptions that we had, when we had those issues upgrading those flows into GM. Some of the operational costs flows into GM, but the big Capex investment flows into this depreciation, right. So, it's a combination of multiple line items there.

- Anil Sarin:** Okay, okay. So, the gross margin decline that the enterprise business has seen from 23% to 17%, that contains both the impact of this software upgrade platforms strengthening as well as the disruptive actions taken by competition. Both are there. And so, part of it will not recur. The second part is obviously that is subject to how the market evolves.
- Uday Kumar Reddy:** Absolutely.
- Anil Sarin:** Okay. Thank you so much, and all the very best.
- Operator:** Thank you. We have the next question from the line of Miraj Shah from Dalal & Broacha.
- Miraj Shah** Thank you for taking my question. My questions are regarding in the beginning of the call, you mentioned that there was a one-time one-off client impact, and you expect to recoup this revenue loss. So, you are expecting to recoup this from the same customer or from new customer addition?
- Uday Kumar Reddy:** A couple of things, the way Deepak explained earlier is, one from the same customer, we have won the WhatsApp business. In fact, the CMG went on live and they have mentioned that they're going to go live on WhatsApp. And we are the one who's going to provide the solutions and services to this largest bank. So, I think for time being, though, we lost a bit of margin and revenues. And we are confident that we are going to recover revenues and margins from the same bank through different services. That's what Deepak has mentioned.
- Miraj Shah** Great. And sir related to that there is a question, are the switching costs so low pertaining to this business, because as far as we remember in the earlier conference calls, you had mentioned that switching costs are extremely high in this business?
- Aravind Viswanathan:** We have two points there, right. So even if you look at their switching costs are high here. So, in a sense that even in this case, we continue to be a vendor, partner to the customer here, right. Although we've just chosen to scale down volumes. So, this is an industry, which operates with a multi-vendor approach. And to that extent, there is always switch once you integrate, right. So, we continue to be with the customer, although we have lower volumes. So, it's not that we are out of any customers. So that why, once you're integrated, you're integrated, but the volume split across the multiple partners can fluctuate at times. Deepak, do you want to add anything more on this?
- Deepak Goyal:** So there are always two to three vendors with any large customer. And it just so happened that, one of the vendors just decided to quote go very, very low on the prices. So, to gain a larger share from that particular customer.
- Uday Kumar Reddy:** Ashish, let's be clear, we not lost this customer. We have been serving this customer, but we have decided not to service at the levels that they want us to service. So, we're seeing and during the traffic but we're not happy with the current commercials.

- Miraj Shah** Sure. So, thank you so much and best of luck for the future.
- Operator:** Thank you. The next question from the line from Amit Chandra from HDFC Securities. Please go ahead.
- Amit Chandra** Hi and thanks for the opportunity. My first question is on the margin decline. So, apart from the cross-currency headwind that we mentioned, so, if you can give more clarity on what the margin impact in the enterprise business was, especially from the ILD and the NLD front. So, most of the impact as you said is from one large customer that is mostly ILD. Are we are seeing some pricing pressure in other pockets also apart from that large customer in the enterprise business. And also, I know as you think that we will actually normalize 20% in the next two quarters. So, is it also having some seasonality impact, because the quarter two, quarter three is generally the strong quarter? So, is it because of seasonality or is it also because we are not seeing any pricing pressure in other accounts? So, if you can provide some clarity on that, it would be great.
- And secondly on the platform business. We have seen that platform business gross margins have been mostly maintained. So can we see similar pricing war or some similar pricing pressure on the platform business as well and there the margins can decline because in terms of competition, they also acquired a company, which is into DLT and they are also planning to launch something there. So if you can throw some light there?
- Aravind Viswanathan:** Let me start answering your first question, right. So, your question is whether the impact was very topical specific or much more broad based, the impact of the customer in discussion is on the NLD and not on the ILD for getting that clarity on right. So there was more specific and that is one of the reasons. In ILD there are always pockets, but that is getting addressed more as business as usual. And Uday kind of mentioned about it, that we are actually on a path of increasing prices in ILD in Q2FY23 to drive our profitability. So that is another variable, which is baked into our assessment, right. So, I would say that, from the journey standpoint, there are two - three things. One is our one-timers that we are trying to offset, some of them will be really immediate, some of them may take a couple of quarters. Two is, a lot of our new initiatives, new business will also kick in which will help drive profitability, right. So, there are multiple factors in play, it would be difficult to peel out individual factors, but collectively we have enough tools and plans in terms of how to get back there. So, it's not just blind seasonality, because a drop here was not fully seasonality, right. So, to that extent, that's how we are seeing it.
- Uday Kumar Reddy:** In terms of platforms I think the DLT is a consortium between Tanla, IBM and Tech Mahindra. They have deployed -- IBM and Tech Mahindra is deployed with other telcos and we deployed with most of the telcos. And so, we don't see any challenge out there. In fact, we see absolutely no challenge.
- Amit Chandra:** Okay, and on the Wisely platform, so as the previous participant was mentioning just before the applications are 1 billion to 2 billion that I mentioned and the report was specifically for the revenue potential for Wisely platform, it was not a TAM. So, in terms of the revenue potential, what we are assessing is it can be another ₹100 crore to ₹200 crore. So what is going to drive that? And is it the

deals that we have won. Those deals are having the potential to scale it to that level or we will have to, like win more, or it has to be more broad based or it will take no like much more time to scale to those levels. So, if you can provide in terms of roadmap, how we're seeing the Wisely roadmap over the next one year?

Uday Kumar Reddy:

Amit, I completely agree with you. In the sense like, as we speak the market is around 45 billion, including government, per month. The transactions from SMS per month and the 45 billion is the TAM for Wisely. And as we speak, we are hovering around 2 billion. So, there is a huge potential to grow out of 45 billion including government, we have just onboarded only 2 billion, there's a long way to cover. So, there is huge potential for Wisely platform. Yet, once the enterprises and the telcos see the value in Wisely, it is pretty easy to scale the volume.

Amit Chandra

Okay sir. Thanks, and all the best.

Operator:

Thank you. The next question is from the line of Pranav Kshatriya from Edelweiss. Please go ahead.

Pranav Kshatriya

Thanks for the opportunity. I have three questions. First question is regarding the gross margin for the enterprises, if you can provide the bridge because it's a fairly sharp jump, you have attributed two to three reasons for the 600 basis points. So, which factor contributed how much fall in the gross margin that will be useful? And also, for that particular customer, if you can tell us even the ballpark range of revenue, which was impacted, because of that, that would be useful, because the difference in the margin is pretty high, just to understand the scale of it?

My second question is regarding the platform business, how that seems to be sort of stagnating considering given Wisely rollout and inherent quality of the business. There was an expectation that that growth will be much stronger. So, how should we see this going forward?

And my last question is as there was some base effect into the pricing increase in the previous quarter. So, if you can comment on how we are seeing the volume growth on a YoY basis in the current, this is for enterprise business? These are my three questions. Thank you.

Aravind Viswanathan:

So, to your first question, just in terms of the bridge, right, we've talked about Forex being about 1%, right, which is the impact on the EBITDA side. The overall impact is about 4.5 at EBITDA, the balance 3.5 is split between the platform modernization piece, maybe around 1%. And the balance will be in terms of the customer specific one, right. So, I don't want to give an individual size of a customer, but they were one of our top five customers, Pranav, which you have the metrics to give you sense of that impact. That was your first question, right.

Your second question was, in terms of the platform. See as Uday kind of mentioned, right. Platform business operates at a slightly different momentum, right. So, you roll out a platform, it takes some time to stabilize, just to give you a sense, Trubloq is just probably one of the most profitable platforms in the world

today, right. But probably from the time it was launched to the time you started, scaling at full potential was about 12 to 18 months, right. So, it is not a business which you will see movement in a slope kind of way. It will be more like a step kind of way, right. So, you have seen us launch multiple aspects of our platform. So, you know the building blocks are in, right. So, we talked about Truecaller scaling up in Q2FY23. We talked about VIL scaling up in Q2FY23. So as this happens, you'll suddenly see a bump up till the next platform kind of gets commercialized and scale.

So, you will have to look at this business with a little more patience, because, it's much more profitable. But it takes a little more time because obviously, the integrations are deeper, it's more embedded in the customer ecosystem, so they're more complex. So that's really how you should read it.

So the potential is high. And it takes some time, but and that's why we keep giving you these updates in terms of what we are doing, it's not static. Now what has happened is we've got a momentum built with terms of our rollout so, so you will have seen something coming from the VIL, you will see something coming from Truecaller. By the time destabilizing or something will come in from Kore.ai. And then we will keep adding to it and after a point of time, you will find that there are some products kicking in every quarter, but we've not reached that rhythm yet, Pranav. So, you will have to be patient on that. But all the building blocks are doing very, very well. And I think we will scale well on that.

Pranav Kshatriya

Sure.

Aravind Viswanathan:

So to your first question, right. I want to clarify one point that, when we look at our YoY growth, our YoY growth is not driven by ILD, right. In fact, rest of the businesses actually grow faster even in the enterprise system. So, to kind of attribute pricing as a reason for YoY growth is probably a mistaken, right. So, this business, if you look at last year, we have similar questions where there is seasonality where numbers are a little horizontal between Q2, Q3, Q4 and that's a kind of trend that we've seen over the past two years. So, I think that is how this momentum is in the business. And that's how we are going to kind of track it. We have talked about increasing prices in ILD in Q2. So, we love to build and execute on that on the opportunities we have and that is what is giving us some amount of confidence in terms of how we are looking at the rest of the year.

Pranav Kshatriya:

Sure. Thank you. That's it from my side.

Operator:

Thank you. The next question is from the line of Deepak Chokhani as an Individual Investor. Please go ahead.

Deepak Chokhani:

I have got two questions. What are the key levers to push international business. Is it just a technology by Wisely along with the various partnerships you are entering or will it be some kind of cost advantage? That's number one. Number two is any idea when voice DLT could be launched by the regulator?

Uday Kumar Reddy:

So when the TCCPR regulations 2008 came sometime in June, the regulation covers both SMS and voice, so this platform is built for both SMS and voice and

as we speak, the operators went live only in SMS. But our platform is ready that's even at voice capabilities. So, whenever the telcos and regulator decide to launch voice services, we are up again. So that's number two. What is the first question?

Deepak Chokhani: Whether wisely is -- they have a different technology, what will make us succeed in globe?

Aravind Viswanathan: Deepak, let me take a shot and Uday can add on that. So clearly, it's a technology play, right. It's a differentiation play. It's a value proposition play, it's not a cost play, because it's not. It's kind of a low-cost platform, right. Value proposition is around the features of Wisely, it is not around, it would be cheaper, because the basic telco costs anyway are what they are in different markets, not that per se is not a differentiation, I think what we are trying to do with Wisely is a little different.

It is about being a single platform for digital interaction, a one-stop-shop for any customers, with trust with blockchain with all those capabilities built in. And that's how what is resonating with customers. Uday talked about, how Wisely impact was received. And we have multiple people from who is who from a global tech major perspective, coming and interacting with us on the kind of output that Wisely rose.

And that's really the differentiation and they are all looking at it, not India specific, but on a global basis. So, we will have to execute and build on those conversations. But clearly, it's not a cost play, it's a differentiation play.

Deepak Chokhani: Okay, got it. Thank you so much.

Aravind Viswanathan: Thanks Deepak.

Operator: Thank you. The next question is from the line of Amit Mishra, he is an Individual Investor. Please go ahead.

Amit Mishra: Yes, good afternoon. So firstly, congrats on yet another quarter with healthy year-on-year growth. By the same time, we saw loss in wallet share from big clients and big margin erosion as well. So, it's quite disturbing when we had the guidance in previous quarter to increase and able to maintain the margins. I don't generally talk about stock price, but you must have seen how stock was beaten today and this comes from the background of like big correction in last one, one and half month. So, it's a high concern for us. Any other factors at play, because the result was not so bad, despite the margin erosion. So, I want to hear your thoughts on that?

Second question, I want to check with you about the global GTM and what's the timeframe we are having, because we discussed this thing in last October, when we hired like one of the biggest consulting firm for the GTM strategy. Now, it's eight months and VIL has been in operations for last three months and we must be interfacing with them for last six months. So it's just basically the second question or shall I begin from the start?

Aravind Viswanathan: Just the second question, we heard your first question. Just second question.

Uday Kumar Reddy: Second question, last line, yeah.

Amit Mishra Yeah. So, on the second question about -- I talked about the time we have taken with this consulting firm since October, November last year, so it's like eight, nine months. And with VIL, we have been doing like this interface for last five, six months and we have been operational for last three months. So, we were talking about case studies. Now we should have it, so we want to hear something tangible and so that we can see, and we can anticipate things, what you're doing in this regard? So, if you can answer these two and then I can ask more if there is time.

Uday Kumar Reddy: Okay and all I can say is I don't invest in any stock. So, I cannot really comment on the stock moment.

Amit Mishra Just in Tanla?

Uday Kumar Reddy: Yes absolutely. I'm talking about other than Tanla, I don't invest, right. My point is very simple. What you really need to appreciate is we have back-to-back, have closed three largest partnerships in the last nine months. The first one is where we have a huge competition, hands on, we won that contract on purely merit basis, not on any other basis. And it's a long-term deal. Once if you kick start revenues in the margins, it's a very, very long-term deal. In fact, let me set back now. I know when we deployed our platforms with some of the telcos in India, probably more than one decade, once we deploy the platform that will go for a long, long time. Okay, we don't deploy the platform for six months or one or two years, right. So, winning the VIL is not easy, hands on we won the deal. We have been deploying. We are facing bit of challenges, because there are too many integration points with the VIL, because Vodafone and Idea came together. There are a lot of network components. A lot of moving parts are there. So, it has gone live, it's not fully gone live, but once we fully go live it's a long-term deal. That's number one, right?

Number two in Truecaller, they are large company from Stockholm, they have more than 300 million users, a pretty large company, right? So, we they are available only at Wisely. Okay, it is not that like each and every player in India far global have access to the Truecaller. It is exclusively available on Wisely. That's number two.

Number three, we have closed Kore.ai partnerships, again exclusive for six markets. There one can go and read a Gartner report. They are the top end of magic quadrants; they are market leaders as informed to the market. They have deployed couple of largest deployments on the planet, if I'm allowed to say, in fact, it is available in the public domain. They are deployed with the biggest bank in the world, including the Citibank. So, it is again available only with that only on Wisely. So, it demonstrates the power of Wisely, okay one cannot doubt even for one second, that's the first one right.

The second point is coming back to the consulting firm, yes, they have been working with us, with their help we have closed three largest deals. We take a

bit of time, it's not that let me close the deal and generate revenues from next year. That's not possible. We are extremely happy with the arrangement that we have with the consulting firm, it is working well for us. We are extremely happy about it. And in fact, we are fully fired up. We are being penalized today, but I don't really comment on that. But we're fully geared up, our team is working, - we are fully fired up. And we are going to come back and get back to 20% EBITDA margins as soon as possible. So, fully geared, we are fully geared up for that.

Amit Mishra

Sir just one question on VIL, how much of migration has happened for Idea traffic?

Uday Kumar Reddy:

It's not a question of traffic like it is fully divested in terms of traffic, but unless until we fully integrate the 100% traffic doesn't come to us. It may go to other telcos from there it may go somewhere. There's a lot of leakages in the market. One of the biggest advantages with our firewall feeds 100% of the legitimate traffic has to come to VIL consumers. That's the reason, VIL has chosen to deploy Wisely deployment with them. So, I cannot really say in terms of percentages, but we are more or less there. And the next probably two weeks, we should be able to complete our integration with VIL Network.

Amit Mishra

Sir, on the GTM for global markets, I didn't get the answer, what timeframe we are looking at?

Uday Kumar Reddy:

Amit, like you know see when the strategy works for India that strategy works for the global market, right. Now it is once the Wisely is available on the cloud, okay. For me to launch the services outside India is a matter of two days. I don't need to go and deploy the platform in those countries, I just need to, I need to set up the cloud and the global market, and everything is switched on the next two days, right? So in terms of platform deployment, it's pretty easy, because Wisely is completely developed on the cloud. That's number one.

Number two, in terms of GTM, when it is working with the Indian market, it is equally easy to replicate in the global market. So, we're not in a great hurry to expand this as a corporate. We're not this kind of company. We want to be very, very cautious about our expansion plans. India itself is a big market for Wisely. As I told you earlier, 40 billion to 45 billion messages per month, and we are handling only less than 2 billion messages. So, there is long ground to cover in India itself, right. So, expanding the global market is not an issue. It's a question of time before we see the success, and that will help us to expand.

Operator:

Thank you. Our next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar

Thank you very much sir, for the opportunity. So, I just wanted to understand I mean till last quarter, we have been committed to the rule of 60. And now with the current market condition changes and the margin pressure also that we are seeing. So, what sort of rule, we are committed to as we speak now?

Uday Kumar Reddy:

Deepak, that's a good question. In fact, I was vocal on the CNBC also, when I was there on the last time. So, this is a rule of 40, that's where most of the SaaS

companies, successful SaaS companies do operate at a rule of 40. But we have been operating at almost 59% to 60% last year. Our intent is to operate at 60. But we had a bit of a headwinds in Q1FY23. We don't want to shy away. Our target is to go back to our targets. So, I cannot really comment right now. But we are very cautious about rule 40 and 60.

Deepak Poddar So our target is to go back to rule of 60, right? That's what you're saying?

Uday Kumar Reddy: Absolutely, Deepak, if you look at biggest SaaS companies in the world, okay, they operate at rule of 40, okay, right. But we have been operating at the better levels. We crossed 40s and we crossed 50s and we have always got close to rule of 60. So since we are going to be the platform company, definitely we are very cautious about rule of 40. And we would like to stick to that like our intent is to stick to rule of 40, though we are operating rule of 60. So, I'm not giving you any guidance, whether it is rule of 40 or 60. But we are very cautious about our rule of 40 and 60.

Deepak Poddar Okay, I understood. Yes, I think that's it from my side. All the very best. Thank you so much.

Operator: Thank you. Ladies and gentlemen, due to paucity of time that would be our last question for today. I'll now hand the conference over to Ms. Ritu Mehta for closing comments. Thank you. And over to you.

Ritu Mehta: Thank you everyone. That was the last question for today. In case we couldn't take your question due to time constraints, please feel free to reach out to Investor Relations team. Have a good evening.

Uday Kumar Reddy: Thank you.

Operator: Thank you very much. Ladies and gentlemen, on behalf of Tanla Platforms Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.

This is a transcription and may contain transcription errors. The transcript has been edited for clarity. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy.